

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: GAS PRICE HEDGING	DOCKET NO. NOI-94-1
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**ORDER CONCERNING ADDITIONAL FILING REQUIREMENTS FOR RECOVERY
OF HEDGING COSTS**

(Issued July 5, 2002)

On April 9, 1994, the Utilities Board (Board) initiated an inquiry into the use of financial derivatives by Iowa's local gas distribution companies (LDCs). On August 16, 1995, the Board issued an order closing the inquiry. In the August 16, 1995, order the Board stated that it did not want to preclude the companies from using financial derivatives to hedge the price of gas to increase price certainty for customers. In addition, the Board indicated that there were 17 items which a utility hedging with financial derivatives would be required to file in the purchased gas adjustment (PGA) reconciliation process, if the company seeks recovery of the costs associated with hedging transactions.

The four investor-owned LDCs have informed the Board through meetings with Board staff that they would be using some type of financial derivatives to hedge the price of gas for the winter of 2001-2002. The LDC's indicated they would be filing to recover the costs of these derivatives through the PGA reconciliation this year. As

part of that filing process, the LDC's must file the information listed in the 17 items.

The Board is listing the 17 items below for reference.

1. The type and volume of physical gas being hedged.
2. The reason the hedge was undertaken (e.g., to hedge storage gas, a floating price contract, etc.).
3. A detailed explanation of the hedging strategy (e.g., costless collar, straddled costless collar, purchasing or selling options, etc.).
4. The date the futures contract or option was purchased or the swap was entered into.
5. The spot price of gas at the time the hedge was made, including an explanation of how the spot price was determined along with the index or indices used.
6. The amount of all commissions paid and to whom those payments were made.
7. All administrative costs associated with the hedge. (The administrative costs is for informational purposes only, since they are not recoverable through the PGA.)
8. The name(s) of all marketers used and the amount of money paid to each marketer.
9. The amount of savings or costs resulting from the hedge. This is the difference between what the LDC would have paid for gas absent the hedge with what was actually paid.

10. The amount of money tied up on the margin accounts for futures trading and the cost of that money.

11. The premium paid for each option.

12. The strike price of each option.

13. The contracting costs for each swap transaction.

14. The name of the fixed-price payer in a swap transaction.

15. A statement as to how the hedge is consistent with the LDC's natural gas procurement plan.

16. An explanation as to why the LDC believes the hedge is in the best interest of general system customers.

17. All invoices, workpapers, and internal report associated with the hedge.

IT IS THEREFORE ORDERED:

All gas local distribution companies that seek to recover hedging costs in the annual purchased gas adjustment reconciliation shall file the information as described in this order with the annual reconciliation.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

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Dated at Des Moines, Iowa, this 5th day of July, 2002.